

# FASAB Facts <sup>2002</sup>

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*In October 1990, three officials responsible for federal financial reporting established the Federal Accounting Standards Advisory Board (FASAB or "the Board"). The officials were the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States. They created FASAB to develop accounting standards and principles for the United States Government.*

*They are referred to as the Board's sponsors or "Principals" because they possess legal authority under various laws to establish accounting and financial reporting standards for the Government. The three agencies they head fund the FASAB. In October 1999 the American Institute of Certified Public Accountants (AICPA) recognized FASAB as the board that promulgates generally accepted accounting principles (GAAP) for federal entities.*

*To meet its unique mission, FASAB considers the information needs of the public, Congress, managers, and other users of federal financial information. The Board considers comments from the public on its proposed Statements, which are widely distributed as "exposure drafts." The Board publishes Statements of Federal Financial Accounting Concepts (SFFAC) and Statements of Federal Financial Accounting Standards (SFFAS). FASAB also publishes Interpretations, Technical Bulletins, and staff guidance.*

*After the Board concludes its deliberations on a proposed Statement and submits it to the Principals, they have 90 days to review the Statement. If none of the Principals object, the Statement is published by FASAB and becomes generally accepted accounting principles for federal financial reporting entities.*

## Background

Article I, Section 9 of the Constitution of the United States provides that "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time." Various laws have subsequently provided additional accounting and reporting requirements suitable for the needs of each era, and have vested various public officials with responsibilities for financial management.

The Chief Financial Officers Act of 1990--as amended by the Government Management Reform Act of 1994--for the first time required annual, audited financial statements for the United States Government and its component entities, referred to as federal reporting entities. The Act also established the position of Chief Financial Officer in each department to ensure the development of integrated agency accounting and financial management systems, including financial reporting and internal controls, which comply with applicable accounting principles, standards, and requirements, and internal control standards.

In conjunction with passage of the CFO Act of 1990, the Secretary of the Treasury, the Director of the Office of

Management and Budget (OMB), and the Comptroller General established FASAB to develop the "applicable accounting principles" for the newly required financial statements. Each of the sponsoring agencies provides one third of FASAB's budget. The Board's Steering Committee, comprised of the Chairperson and the Board members from Treasury, OMB, and GAO, is responsible for administrative matters. Both Board and Steering Committee meetings are open to the public, with notice of meeting times and locations being published in the *Federal Register* and on the World Wide Web at [www.fasab.gov](http://www.fasab.gov).

During 1999 a task force of the AICPA reviewed the Board's policies and procedures to assess their conformance with AICPA's criteria for designating bodies that promulgate GAAP. The Principals made certain changes in procedures necessary to conform to the Institute's criteria. In October 1999 AICPA's Council designated FASAB as the body that promulgates GAAP for federal entities in the United States.

In January 2002, the Principals agreed that -- effective June 30, 2002 -- the composition of the Board would change from six federal and three non-federal members to three federal and six non-federal members.

## ***The Mission of the Federal Accounting Standards Advisory Board***

The mission of the FASAB is to develop accounting standards after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and the needs of other users of Federal financial information.

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus Federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to (1) assess the government's accountability and its efficiency and effectiveness, and (2) contribute to the understanding of the economic, political, and social consequences of the allocation and various uses of Federal resources.

Accounting standards should:

- Result in the Federal Government and its agencies providing users of financial reports with understandable, relevant, and reliable information about the financial position, activities, and results of operations of the United States Government and its component units; and
- Foster the improvement of accounting systems and effective internal controls that will help provide reasonable assurance that governmental activities can be conducted economically, efficiently, and effectively, and in compliance with applicable laws and regulations.

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## ***How the Mission of the Board is Accomplished***

To accomplish its mission, the FASAB acts to:

- Determine the primary users of Federal financial information and their needs;
- Develop accounting standards and principles that improve the usefulness of financial reports based on the needs of users and on the primary characteristics of understandability, relevance, and reliability;
- Provide advice to central financial agencies on implementing the standards;
- Improve the common understanding of information contained in financial reports;
- Develop standards and principles that take into account expected benefits and perceived costs;
- Review the effects of current standards and develop amendments or new standards when appropriate;

- Use a thoughtful, open, neutral, and fair deliberative process and consider the accountability and decision-making needs of users;
- Develop rules of procedures designed to permit timely, thorough, and open study of financial accounting and reporting issues and to encourage broad public participation in all phases of the accounting standard-setting process; and
- Be objective and neutral and ensure, as much as possible, that the information resulting from its proposed standards is a faithful representation of the effects of Federal Government activities. Objective and neutral mean free from bias, precluding the FASAB from placing any particular interest above the interests of the many who rely on the information contained in financial reports.

The Board recognizes that general acceptance of its standards is enhanced by demonstrating that the comments received in due process are considered carefully.

## ***Composition and Selection of the Board***

The Board has nine members. Three members are from the FASAB's Principals. These members are selected by the head of each agency and do not have fixed terms.

The Board includes six public or non-federal members. The Principals select the six public members after having considered recommendations of a panel convened by FASAB's chairperson. The panel consists of not more than seven members, and includes representatives of the

Financial Accounting Foundation, the Accounting Research Foundation, and the AICPA, as well as the FASAB members who represent the sponsoring agencies. The Principals select the Board's chairperson from among the non-federal members.

The non-federal members are eligible for two five-year terms. Terms are staggered to provide continuity on the Board.

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### ***Board Members***

**David Mosso** - David Mosso retired from the Financial Accounting Standards Board (FASB) after serving ten years as a Board member, including two years as Vice-Chairman of the Board, and additional time working on the Board's major standard-setting projects and international activities. Prior to that, he was a senior executive for the US Department of the Treasury, culminating in appointment as Fiscal Assistant Secretary. He was an Adjunct Professor of Accounting at Fordham University's Graduate School of Business Administration. Mr. Mosso received a Bachelor of Business Administration and a Doctor of Commerce (Honorary) degree from Washburn University and a Master in Economics degree from the University of Minnesota. He has lectured and written on a variety of financial accounting issues. He has been Chairman of the FASAB since January 1997.

**Joseph V. Anania, Sr.** -- Mr. Anania was a member of the Financial Accounting Standards Board for 8 years following his retirement as a partner with Price Waterhouse LLP's Audit and Business Advisory Services. While at the Financial Accounting Standards Board, he had lead roles working with the Business Council, investment analysts associations, and the American Bar Association. He was instrumental in organizing and developing the Financial Accounting Standard Board's Business Reporting Research Project, which resulted in 3 reports, including, Improving Business Reporting: Insights Into Enhancing Voluntary Disclosures. Mr. Anania is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants. Mr. Anania graduated Summa Cum Laude with a BBA from the University of Pittsburgh.

**Philip T. Calder** - Retiring after 35 years with Arthur Young & Co. and its successor, Ernst & Young (E&Y), Mr. Calder joined the General Accounting Office (GAO) in July 1994. He was initially assigned to work with the FASAB, principally on its Stewardship Reporting project. Mr. Calder currently is Chief Accountant of the GAO and was closely involved with the first audit of the consolidated financial statements of the U.S. While at E&Y, Mr. Calder was partner-in-charge of financial statements and single audits of the City of New York and the New York City Board of Education, and director of the firm's New York Office Public Sector Group. Earlier, Mr. Calder served as the firm's National Director of Governmental Accounting and Auditing. He also served as partner-in-charge of other government clients, including assisting states converting from cash or other basis accounting to GAAP for government. From 1990 until 1993, Mr. Calder Served as chairman of the AICPA's Government Accounting and Auditing Committee. Mr. Calder has a BS from the University of Maryland and JD from the University of Maryland School of Law. He is a CPA and a Certified Government Financial Manager (CGFM). He has been a FASAB member since October 1996.

**Claire Gorham Cohen** -- Ms. Cohen is a vice chairman at Fitch, Inc., a credit rating agency where she oversees state and state agency ratings. Ms. Cohen came to Fitch from Moody's Investor Service where she was vice president and managing director for state ratings as well as a chairman of the public finance department rating committee. Her career has spanned virtually all aspects of the municipal market as well as covering international sovereign issuers. Ms. Cohen started her career at Dun & Bradstreet after receiving an AB in government from

Radcliffe College. She has served as chairman of the Municipal Analysts Group of New York and on the Board of Governors of the National Federation of Municipal Analysts. Ms. Cohen is a member of the Governmental Accounting Standards Advisory Counsel.

**John A. Farrell** - Mr. Farrell is a retired partner from KPMG LLP. He served as a partner in the Government Assurance practice and directed audits and audit-based advisory service engagements with federal, state, and local government clients. For the last five years of his 29 year career with KPMG, he almost exclusively managed audits in the federal government arena. He has substantial knowledge of the operations of law and regulation concerning appropriated funds in a wide variety of government organizations. Prior to being appointed to the Board, he participated in the development of accounting and auditing standards for federal entities. In addition, he has consulted with federal entities on the appropriate application of accounting standards. Mr. Farrell received a B.S. from Virginia Polytechnic Institute and State University in 1970. He is Certified Public Accountant and Certified Government Financial Manager. He has been a FASAB member since June 2001.

**Joseph L. Kull** – Mr. Kull is the Deputy Controller for Office of Federal Financial Management at the Office of Management and Budget (OMB). He joined OMB in March 2000 and is responsible for issuing accounting and auditing requirements for Federal agencies; providing assistance in implementing financial management reforms, issuing policy circulars for non-Federal entities, and overseeing federal financial management systems and internal control policies. Before joining OMB, Mr. Kull served as the Chief Financial Officer at the National Science Foundation and was responsible for all budget activities, financial management, grants, cooperative agreements and contracts administration. He has been an active member of the CFO Council, the Budget Officers' Advisory Council, the Accounting and Auditing Policy Committee, the AICPA, and the Association of Government Accountants' Professional Certification Board. Mr. Kull received a BS from Mount Saint Mary's College and an MBA from George Mason University. He is a CPA, CGFM and recipient of the Donald L. Scantlebury Award.

**James M. Patton** - Mr. Patton is a Professor of Business Administration at the Joseph M. Katz Graduate School of Business of the University of Pittsburgh. His professional experience includes Academic Research Fellow for the Governmental Accounting Standards Board, Visiting Scholar for the George Washington University, and

Faculty-in-Residence for Coopers and Lybrand, Mellon Bank, and FASAB. He has been a member of numerous boards of review for professional publications and has been extensively published. He teaches financial, governmental, and international accounting. His research in progress includes extensive analysis of Federal financial accounting and reporting. Prof. Patton has an AB in Psychology, an MBA in Accounting, and a Ph.D. in Business Administration from Washington University. He is a member of the AICPA, the AGA, and the American Accounting Association. He has been a FASAB member since July 1999.

**Robert N. Reid** - Mr. Reid joined the Department of the Treasury in June 1999 as the Deputy Assistant Secretary for Accounting Operations. He provides policy oversight for governmentwide accounting, including oversight of the preparation of the Government's annual consolidated financial statement. He also is the Department's representative on the FASAB. Before joining the Treasury, he worked for the District of Columbia Government as Controller of the City, and Deputy Director and Chief Financial Officer of the DC Lottery. Prior to that, he was a key member of the financial staff that established Conrail. Mr. Reid began his career auditing commercial accounts for Arthur Andersen and Co. He is a CPA with a BA in Economics from Ursinus College, and is an alumnus of the Kennedy School at Harvard University. Mr. Reid is a former president of the DC Chapter of the Government Finance Officer's Association. He has been a FASAB member since July 1999.

**Alan H. Schumacher** -- Mr. Schumacher was most recently Executive Vice President and Chief Financial Officer of the American National Can Group, a \$2.5 billion NYSE listed manufacturing company where he spent most of his career. He began as a Senior Internal Auditor and held positions of increasing responsibility throughout his career. He developed and executed global financial strategies and directed all financial activities including Treasury, Cash Management, Tax, Accounting, Finance and Control, Internal Audit, Investor Relations and Risk Management functions. In his early career, he worked for three years as a senior auditor with Price Waterhouse LLP. Mr. Schumacher holds a BS in accounting from the University of Illinois at Chicago, and an MBA from Roosevelt University. He is a member of the Illinois Society of Certified Public Accountants, and the American Institute of Certified Public Accountants.

## ***Due Process***

The board follows an open process for considering accounting standards which includes the following steps:

1. Identification of accounting issues and agenda decisions,
2. Preliminary deliberations,
3. Preparation of initial documents (issues papers and/or discussion memorandums),
4. Release of documents (e.g., exposure drafts) to the public, public hearings when necessary, and consideration of comments,
5. Further deliberations and consideration of comments, and
6. Approval by at least a majority vote.
7. Submission of proposed Statement to the Principals for ninety day review (forty five days for Interpretations)
8. Publication of final Statement or Interpretation

The Board's rules of procedure to implement these steps are available from FASAB and on the World Wide Web.

As an adjunct to the deliberative process, the Board appoints task forces, as necessary, to advise it on a variety of accounting matters. Task forces play an important role in the accounting standard-setting process as they provide expert views and recommend solutions to issues or problems.

## ***The Hierarchy of Accounting Standards***

The FASAB develops accounting concepts and standards after considering the results of due process procedures. If the Principals do not object to specific concepts or standards, they are published by FASAB and announced in the *Federal Register* and become effective.

As previously noted, AICPA has recognized FASAB as the body that promulgates generally accepted accounting principles for federal reporting entities. As a result of that action, the Auditing Standards Board has published Statement on Auditing Standards 91, *Amendment to Statement on Auditing Standards No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles in the Independent Auditor's Report*. This will be codified in AICPA's *Professional Standards*, vol. 1, AU sec. 411). This establishes the GAAP hierarchy for federal entities. (FASAB Concepts Statement 2, *Entity and Display*, defines federal governmental entities.) The new federal GAAP hierarchy is as follows:

a. Category (a), officially established accounting principles, consists of Federal Accounting Standards Advisory Board (FASAB) Statements and Interpretations, as well as AICPA and FASB pronouncements specifically made applicable to federal governmental entities by FASAB Statements or Interpretations. FASAB Statements

and Interpretations will be periodically incorporated in a publication by the FASAB.

b. Category (b) consists of FASAB Technical Bulletins and, if specifically made applicable to federal governmental entities by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.

c. Category (c) consists of AICPA AcSEC Practice Bulletins if specifically made applicable to federal governmental entities and cleared by the FASAB, as well as Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.

d. Category (d) includes implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the federal government.

In the absence of a pronouncement covered by rule 203 or another source of established accounting principles, the auditor of financial statements of a federal governmental entity may consider other accounting literature, depending on its relevance in the circumstances.

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## ***The Accounting and Auditing Policy Committee***

The Accounting and Auditing Policy Committee (AAPC) is a standing task force of the FASAB. The AAPC provides guidance, in the form of "Technical Releases," regarding the application of existing principles. The AAPC includes representatives from FASAB's three sponsoring agencies, three representatives from the Chief Financial Officers community (federal financial statement preparers), three representatives from the Inspector General community (federal auditors), a FASAB member, and one member at large.

Technical Releases must be approved by a majority of each of the three voting blocks and reviewed by the Board prior to issuance. Technical Releases are published by FASAB and announced in the Federal Register. AAPC meetings are open to the public. The AAPC maintains an open communication process, including a World Wide Web site at <http://www.fasab.gov>.

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### ***Additional Information***

**Availability of Board Publications.** FASAB maintains a mailing list to which exposure drafts, reports, and newsletters are mailed at no charge. Any individual may contact FASAB and request to be added to the mailing list. Individuals who prefer to receive FASAB's newsletter by e-mail may sign up for it at FASAB's World Wide Web site, at the URL shown below. Final Statements of Accounting Concepts and Statements of Standards are not mailed to the general FASAB mailing list, since these Statements are available from the Government Printing Office (202-512-1800). Also, FASAB publications, including final statements, are downloadable from the World Wide Web at <http://www.fasab.gov>

**Public Access.** The FASAB maintains a public reading room and reference files that are open during office hours, Monday through Friday. The public reading room contains FASAB publications, minutes of meetings, comment letters on publications, and transcripts of public hearings.

**Other Information.** For further information about the FASAB, including Board meeting schedules, meeting agenda topics, publications, public hearings, comments on Board products, or to subscribe to the FASAB mailing list, call or write the Federal Accounting Standards Advisory Board, 441 G Street, NW, Washington, DC 20548, 202-512-7350, FAX 202-512-7366.

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